



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Ref: 12/1/5/3/4/3

Enq: Nkuna MC

To: Municipal Manager
Musina Local Municipality
Private Bag X611
MUSINA
0900

CC: Chief Financial Officer

FEEDBACK ON THE 2018/19 MTREF FINAL BUDGET

This letter serves to acknowledge receipt of the municipality's final budget for the 2018/19 financial year. Herewith please find this report, which is a summary of findings and recommendations emanating from the review performed on the final budget

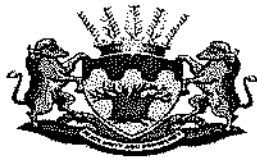
You are advised to consider the contents of this report during the preparation of the adjustment budget.

In compliance with the Municipal Budget and Reporting Regulations, please advise the Mayor to table this report in Council.

Yours in public finance management

 (Acting)
PP **PRATT GC (CA) SA**
HEAD OF DEPARTMENT

27/09/2018
DATE



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

MUSINA LOCAL MUNICIPALITY

2018/19 FINANCIAL YEAR MTREF BUDGET ASSESSMENT REPORT

ACRONYMS AND ABBREVIATIONS

AFS	Annual Financial Statements
AGSA	Auditor General South Africa
CFO	Chief financial Officer
CoGHSTA	Co-Operative Governance Human Settlement and Traditional Affairs
CPI	Consumer Price Index
DoRB	Division of Revenue Bill
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
LG database	Local Government Database
LPT	Limpopo Provincial Treasury
MFMA	Municipal Finance Management Act
MBRR	Municipal Budget and Reporting Regulations
MTREF	Medium Term Revenue and Expenditure Framework
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
NDP	National Development Plan
NT	National Treasury
PPE	Property Plant and Equipment
SDBIP	Service Delivery and Budget Implementation Plan
SALGBC	South African Local Government Bargaining Council

Table of Contents

1. EXECUTIVE SUMMARY	4
2. BRIEF DESCRIPTION OF ANALYSIS PROCESS (TECHNIQUES)	4
3. MFMA & MBRR COMPLIANCE	5
4. DRAFT COMMENTS CONSIDERATION	6
5. CREDIBILITY (FUNDING), RELEVANCE AND SUSTAINABILITY OF THE FINAL BUDGET	24
6. CONCLUSION.....	25
7. RECOMMENDATIONS.....	26

1. Executive Summary

In terms of Section 5(4)(b) of the MFMA, a Provincial Treasury “may assist municipalities in the province in the preparation of their budgets”. To this effect, the Limpopo Provincial Treasury (LPT) has, over the past years, been assisting municipalities to prepare their budgets in line with the budget circulars issued by National Treasury. Support measures have been extended to providing training to municipal staff on the application of the Municipal Budget and Reporting Regulations issued in terms of Government Gazette 32141 of 17 July 2009. The Regulations became effective from 1 July 2009

In addition, LPT have upon receipt of the Municipality's Tabled Budget, performed quality review on the Tabled budget and analysed them to ascertain credibility. To this effect, your municipality was furnished with the attached Tabled budget analysis report with recommendations which would, if incorporated into the Adopted budget possibly improve its credibility.

This now serves as LPT's analysis on the Adopted budget mainly to determine if the recommendations made during the Tabled budget analysis were considered by the municipality, and to ascertain credibility of the Adopted budget given incorporated inputs.

2. Brief description of analysis process (techniques)

The analysis covers the following areas, amongst others:

- Compliance with legislative framework and the Regulations;
- Comparison of actual financial performance against budget (for both capital and operating budgets);
- Cash position of the municipality and its ability to fund budgeted expenditure;
- Medium Term Revenue and Expenditure Framework (MTREF) appropriations and their credibility, affordability and sustainability;

- Contribution of the budget to national and provincial government priorities;
- Responsive of the budget to the Integrated Development Plan (IDP);
- Proposed investments in infrastructure and impact on Local Economic Development and job creation;
- The rates and tariffs proposed; and
- Support of the budget to indigent households;

3. MFMA & MBRR Compliance

Provincial Treasury has undertaken an assessment of the draft budget that will be adopted by the municipal council and submitted to the Provincial Treasury. The municipality's 2018/19 draft budget was prepared in the required format (i.e. version 6.2). The municipality did not fully comply with the National Treasury compliance checklist to Municipal Budget and Reporting Regulations. A number of supporting tables were not completed and some were partially completed which limited Provincial Treasury's analysis.

4. Draft comments consideration

Summary of Tabled budget key observations	Consideration of Treasury inputs into the adopted budget
Revenue framework The municipality should note that the information for 2018/19 MTREF period does not reflect on the National Treasury LG database. I.e. The statement of financial performance and the Capital expenditure. The municipality is advised to submit outstanding return forms for the 2018/19 MTREF period to the National Treasury LG database before finalisation of the adopted budget.	Inputs from Provincial Treasury were taken into consideration. The municipality submitted the return forms for the 2018/19 MTREF budget to National Treasury Local Government database.
Property rates Property rates is set at R19.1 million which is higher than the 2017/18 adjusted budget of R18.1 million. The proposed amount for property rates is as a result of an annual increase. As per the 2016/17 audited Annual Financial Statements, Property rates reflected R17.0 million billed amount and R5.5 million was reported during mid-year. The budget for Property rates appear to be reasonable. The assessment rates increase is at 6 per cent from the 2017/18 to the 2018/19	Property rates still reflects R19.1 million on Property rates which appeared to be reasonable. The municipality indicated in the budget narrative report that they have received more than budgeted for as a results of rates and taxes received in advance for DeBeers mine.

financial year, which is within the Consumer Price Index (CPI).	
Services charges – Electricity The municipality indicated that the Electricity tariff increases as approved by the National Regulator of South Africa (NERSA) at 6.08, however the budget for Services charges has decreased by 7 per cent from R104.1 million to R96.7 million. As per the 2016/17 audited Annual Financial Statements, the municipality reported R97.1 million. However, the municipality did not provide the narrations for the decrease of Services charges – Electricity in the budget narrative report. The basis of the decrease in the budgeted revenue is unclear.	The municipality did not amend the budget for Services Charges on Electricity over the 2018/19 MTREF. The municipality indicated in the budget narrative report that the increase in growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix of 2018/19 which in turn is due to rapid increases in the Eskom tariffs for bulk electricity, and thus the increase of 6.84% for 2018/19 cannot be regarded as increase flowing from the high cost of electricity from previous years. The municipality further indicate that the budgeted amount for Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA) at 6.84%.
Services charges - Refuse Revenue from Services charges is set to increase by 0.9 per cent from R14 819 000 in the 2017/18 to R14 829 000 in the	The budget for Services charges on Refuse was not revised as it appears to be reasonable.

2018/19 financial year. As per the 2016/17 audited AFS, revenue generated from Services charges – Refuse amounted to R14.2 million. Based on the prior year performance, the budget for Services charges – Refuse appear to be reasonable.	
Interest earned - external investments The municipality budgeted for revenue in respect of Interest to be earned on external investments amounting to R821 000. However, the municipality did not disclose the total investment and interest in Table SA16 as required. The basis of the budgeted revenue is unclear. The municipality is advised to populate Tables SA15 and SA16 prior to the adoption of the budget.	The municipality completed supporting table SA15 and SA16, however the interest earned on external investments recorded on supporting Table SA16 (R2.6 million) does not reconcile with the interest earned on external investment on table A4 (R821 000). The municipality is advised to correct the discrepancies identified between table A4 and supporting table SA16.
Transfers recognised – operational The budget for Transfers recognised – operational. The municipality budgeted an amount of R132.9 million in the 2018/19 financial year. As per the Division of Revenue Act (DoRA), the municipality was allocated equitable share amounting to R124.0 million, Finance Management Grant	Inputs from Provincial Treasury were considered. Discrepancies were corrected and the budget for the municipality is aligned to the DoRB.

R1.9 million and Expanded Public Works Programme Integrated amounting to R1.0 million in the 2018/19 financial year. Totalling R126.9 million. Transfers and subsidies reflected in Table A4 and SA18 does not reconcile with Division of Revenue Bill. The municipality is advised to rectify the discrepancies prior to the finalisation of the budget.	
Other revenue The budget for Other revenue decreased from R12.4 million in 2017/18 financial year to R2.5 million in the 2018/19 financial year. As at mid-year, the municipality reported an actual performance of R81 million. In the 2016/17 audited Annual Financial Statements, the municipality reported R3.4 million. Inadequate narrations were provided in the budget book. The municipality is advised to narrate the base for the decrease on other revenue.	The budget for Other revenue was not revised during the preparation of the final budget and no adequate narrations were provided in the budget narrative report.
Tariff setting Total Revenue Growth The projected revenue contracted to negative 12 per cent in 2018/19 Budget year and improved to 12 per cent in 2019/20	The municipality did not consider the recommendations from the LPT. The Total Revenue Growth was lowered to

Budget year and further improved to 6 per cent in 2020/21 Budget year respectively. Thus 2019/20 projection defeats the 2019/20 anticipated inflation target rate of 5.4 per cent.	negative 10 per cent in 2018/19 Budget Year and improved to 11 per cent in 2019/20 Budget Year.
Own Revenue Growth The municipal generates its own revenue from water service charges and interest earned from the external investment. The table above depicts that the municipality anticipates own growth of 11 per cent in 2018/19 budget year and 9 per cent respectively in the outer years. The projection appears to be above the national projected inflation target rate of 5.3 per cent.	The municipality did not consider the LPT recommendations. The trend in own revenue growth still defeats the national projected inflation target rate of 5.3 per cent.
Cost of free basic services Table A2 above indicates that the cost to provide the trading services in respect of Electricity exceeds the revenue expected to be generated. This result in the municipality sustaining a deficit from the provision of electricity services.	The municipality considered the recommendations by LPT. The Table A2 has been adjusted to reflect positive budgeted surplus on trading services.
Indigent Support/Social Package The municipality did not fully complete Table A10 in relation	The municipality did not consider the LPT

to indigent households and cost of free basic services. We are therefore unable to provide a meaningful assessment on the reasonableness of the cost of providing free basic services.	recommendations. Table A10 is not fully completed in relation to indigent households and cost of free basic services.
Employee related Costs Employee cost budget increased by 4 per cent between 2017/18 and 2018/19 financial year. It is noted that the budgeted increase of 4 per cent is within the CPI plus one. The municipality disclosed the total number of employees for the 2018/19 financial year in supporting Table SA24 as required. Table A4 reconcile with the supporting Table SA22. Total salaries, allowances and benefits for Councillors and Senior Managers in table SA22 reconcile with total salaries, allowances and benefits for Councillors and Senior Managers in supporting table SA23. The municipality indicated that the increase is as a result of the annual increase, however the difference is caused by critical vacancy positions. The budget for employee related cost appear to be reasonable.	The municipality did not revise the budget for Employee related cost as it appear to be reasonable.

Remuneration of Councillors Remuneration of councillors is budgeted to increase by 5 per cent from R9.9 million in the 2017/18 adjusted budget to R10.4 million in the 2018/19. The municipality is advised to assess the reasonability of the increase and consider the impact of MFMA Circular No. 91, which advise the municipality to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of upper limits of salaries, allowances and benefits of different members of municipal councils published annually between December and January by Department of Cooperative Governance. The municipality is reminded that any over payment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councillors concerned. Debt impairment The municipality's budget for Debt impairment reflected an	In the final budget document, the municipality indicated that the councillor allowances have been prepared in line with SALGA Gazette, while the employee's benefits were done considering 6% salary increase as per Circular No 79 as already detailed in the executive summary. Inputs from Provincial Treasury were not considered.
--	--

increase of 5 per cent, from R588 000 in 2017/18 adjustment budget to R619 000 in 2018/19 financial year. Provincial Treasury could not determine the reasonableness of the budgeted contribution to Debt Impairment as the municipality has not completed the information relating to the reconciliation of the Provision for Debt impairment budget in Table SA3. Furthermore, the municipality did not provide the motivation for the increase of Debt impairment in the budget narrative report. This limits Provincial Treasury's analysis of the budgeted contribution to debt impairment. The municipality is requested to fully complete Table SA3 which indicates the projected contribution and Bad debts to be written off and provide narrations in the budget book before adoption of the final budget.	The municipality has not fully completed the information relating to the reconciliation of the Provision for Debt impairment budget on Table SA3. This limits Provincial Treasury's analysis of the budgeted contribution to debt impairment. The municipality is requested to fully complete the reconciliation for Debt impairment on Table SA3 which indicates balance at the beginning of the year, projected contributions and Bad debts to be written off and provide narrations in the budget book. The municipality is requested to revise the budget for contribution to Debt impairment to consider the collection rate achieved in prior years as well as the current year.
Depreciation & asset impairment. Depreciation and asset impairment decreased by 3 per cent from R29.5 million in the 2017/18 adjusted budget to R28.5 million in the 2018/19 budget. The municipality indicated that they only account for Depreciation at year end. However, depreciation was allocated on a monthly basis on Supporting	The municipality did not revise the budget for Depreciation and asset impairment. The decrease in the anticipated Depreciation and asset impairment expenditure has not been explained by the municipality. The impact of this is that the operating expenditure

table SA25. Paragraph 9.7.1 of the Asset policy states that Depreciation charges are calculated monthly. The municipality is advised to comply with the asset policy and account for depreciation on a monthly basis.	budget might be understated. The municipality allocated Depreciation and asset impairment on a monthly basis on supporting table SA25.
Bulk purchases Total Bulk purchases is projected to increase by 3 per cent from R74.5 million in the 2017/18 financial year to R76.9 million in the 2018/19 financial year. The municipality indicated that the increase attributed to the substantial massive increase in the cost of bulk electricity from Eskom. Municipalities were advised to use the NERSA's guide of 7.32 per cent bulk tariff increase when compiling their budgets. The budgeted increase is within the increase of 7.3 per cent for Bulk tariffs for the 2018/19 financial year.	Given that the municipality did not revise the budget for bulk purchases in the final budget document. The municipality is advised to monitor expenditure against this line item and if necessary consider revising the budget during the adjustment budget process as the budget may be understated.
Contracted Services The budget for Contracted services decreased from R15.3 million in the 2017/18 financial year to R13.5 million in the 2018/19 financial year. At mid-year, the municipality had spent R8.8 million of Contracted services against the budget	No changes were made on the budget for contracted services. The municipality is advised to include all existing contracts and contracts that will come into effect in the 2018/19 financial year in order to avoid

of R19.3 million. The municipality indicated that the decrease is due to the contracts envisaged for the next three years which are Electronic PMS, Prevention of the system in the server, protective clothing, medical detection programme and security services. In the 2016/17 audited Annual financial Statements, the municipality reported R8.2 million on contracted services.	unauthorised expenditure.
Other Expenditure The budget for Other Expenditure decreased by 66 per cent from R65.8 million in the 2017/18 financial year to R22.4 million in the 2018/19 financial year. As per the 2016/17 audited Annual Financial Statements, the municipality reported R55.7 million on General expenditure. Other expenditure for 2018/19 financial year (R22.4 million) has been budgeted at 7.8 per cent of the total operating expenditure of R286.6 million. The municipality complies with the MFMA budget format guide, which indicates that General expenses should constitute no more than 10 per cent of operating expenditure.	No changes were made on Other expenditure. The municipality is advised to monitor expenditure against this line item and if necessary consider revising the budget during the adjustment budget process as the budget may be understated.

Operating Surplus margin The operating budget is not realistic as the impact of prior year spending trends has not been considered. The municipality is requested to ensure that expenditure is realistic in order to avoid excessive increases in the budget during the adjustments budget process. The municipality has projected zero surplus budgeting in the 2018/19 MTREF budget, however the zero surplus may be overstated due to the unrealistic budgeted amounts. Based on the 2015/16 and 2016/17 audited Annual financial Statements, the municipality reported operating deficits amounting to R1.8 million and R70.1 million respectively. The risk is that operating expenditure may be understated and this may impact on funding of the budget.	The revised budget still reflects zero surplus budgeting over the 2018/19 MTREF period. The municipality is advised to ensure that expenditure is realistic in order to avoid excessive increases in the budget during the adjustments budget process. In addition, the Other expenditure may be understated over the 2018/19 MTREF period.
--	---

Capital Budget National Government Capital grants funded by National Government for 2018/19 financial year of R40.9 million does not reconcile with the budgeted capital expenditure as per the Division of Revenue Act, Gazette No. 41432 of 9 February 2018 (<i>i.e. MIG: R28.4 million plus INEP: R15.0 million</i>). Funding from National Government of R40.9 million in Table A5 reconcile with supporting table SA18 and SA25 R40.9 million. However, the capital amount does not reconcile with the Division of Revenue Bill amounting to R43.4 million. This budget table is considered not credible and no reliance is placed on it due to the inconsistencies identified. No budget for internally generated funds, the municipality indicated that there are no funds to cover internal projects.	Inputs from provincial Treasury were considered. All inconsistencies identified in the tabled budget were corrected in the adopted budget. The municipality is advised to take cognisance of Section 19 of the MFMA which states that a municipality may spend money on the capital budget only if, the sources of funding have been considered available and have not been committed for any other purpose. There are no contributions to Internally generated Funds as the municipality indicated that there are no funds to cover internally generated projects.
--	--

Renewal and upgrading of existing assets The municipality's allocation for renewal and upgrading of existing assets stands at 0 per cent of the capital expenditure budget of R40.9 million which is below the National Treasury requirements that municipalities must allocate at least 40 per cent of their capital budget towards the renewal and upgrading of existing assets.	The municipality increased the budget allocated towards the Renewal and upgrading of existing assets from 0 to 43.7 per cent of the capital budget. This is in line with the requirement that municipalities must allocate 40 per cent of their capital budgets towards the renewal and upgrade of existing assets.
Repairs and maintenance The budgeted expenditure on Repairs and maintenance is 13.6 per cent of the Property, Plant and Equipment which is in line with the National Treasury's requirement of 8 per cent as per MFMA circular No. 55.	No changes were made towards the budget for Repairs and maintenance as the municipality is complying with National Treasury's requirements in line with MFMA circular No. 55
The municipality's budgeted amount is adequate to secure the ongoing health of the municipality's infrastructure supported by reference to its asset management plan.	

Inconsistencies were noted between Table A9 with the budget narrative report. In the budget narrative report, the municipality indicated that they meet the 40 per cent of the capital budget towards the renewal and upgrading of existing assets and repairs and maintenance is not met due to the Musina Local municipality have being revalued its assets with the first time adoption of GRAP 17 and asset values are currently high.	No corrections were made on the inconsistency identified between the budget narrative report and table A9. In the final budget, the municipality still indicates that repairs and maintenance is not met due to the Musina municipality having revalued its assets with the first time adoption of GRAP 17 and asset values are currently high.
---	--

Budgeted Cash Flow

The collection rate as stated in the municipality's budget document is 83.8 per cent in the 2018/19 financial year.

The municipality has budgeted to collect 79.9 per cent on Property rates revenue and Service charges – Electricity and refuse which appear to be realistic as compared to the 2016/17 audited annual financial statements.

The closing cash and cash equivalent in Table A7 of R1.2 million does not reconcile with the cash and cash equivalent amounting to R14.7 million reflected in Table A6. (I.e. Cash amounting to R2.2 million and call investment deposit balance of R12.5 million). The municipality is advised to revise the budgeted cash flow and Table A6 in order to determine the true cash position and to ensure that the closing balance in the cash flow statement reconciles with the cash and call investment deposit balance reflected in the Statement of financial position.

The collection rate still reflects 83.8 per cent from supporting table SA10. The municipality should put in place the necessary measures to ensure that the budgeted collection rate is achieved.

Provincial Treasury used a collection rate of 54.7 per cent to recalculate the budgeted cash flow as per the prior year annual financial statements.

Inconsistencies between Table A7 and Table A6 were not corrected in the adopted budget. The closing Cash/cash equivalents balance reflected in Table A7 (R1.2 million) does not reconcile with the Cash and current investment balance reflected in Table A6 (R13.8 million).

The opening cash and cash equivalent of R2.8 million for the 2017/18 adjustment budget does not reconcile with the closing cash and cash equivalent for R1.1 million as reflected in the 2016/17 audited annual financial statements. The municipality should use the previous year's closing balance as the opening balance for the next year. In view of the findings relating to the budgeted cash flow, the closing balance of R1.2 million may be misstated.	The opening cash and cash equivalents of R1.1 million for the 2017/18 adjustment budget reconcile with the closing cash and cash equivalent of R1.1 million as reflected in the 2016/17 audited annual financial statements. In view of the findings relating to the budgeted cash flow, the closing balance of R1.2 million may be overstated.
Cash backed reserves/Accumulated surplus The municipality did not budget for Unspent Grants to be cash backed in Table A8. At mid-year, the municipality reported expenditure of 9.16 per cent of a total capital budget of R47.4 million which indicates that the municipality might not be in a position to fully spend the capital expenditure budget. Based on the current expenditure trends, the municipality is likely to have unspent conditional grants at the	Unspent conditional grants was not budgeted for in the 2018/19 MTREF period.

end of 2017/18 financial year. The municipality has not budgeted for provisions to be cash backed despite the fact that the 2016/17 audited annual financial statements reflected Employee benefits amounting to R9.8 million The municipality is advised to reflect a portion that must be cash backed in line with the municipality's funding and reserves policy. No Provision was made for commitments relating to statutory requirements that may arise, such as PAYE, VAT payables and UIF, etc. Contradictions were noted between the budget tables and the budget narrative reports. On table A8, the municipality reflected a deficit amounting to R47.4, however the budget narrative report indicates that the surplus is aligned to the requirements of MFMA Circular 42. The municipality further indicated that the cash surplus is increasing over the years.	Inputs from the Provincial Treasury were not considered. Statutory requirements were not budgeted for in the 2018/19 MTREF period. The Closing Cash/cash equivalents balance reflected in Table A7 (R1.2 million) does not reconcile with the Cash and current Investment balance reflected in Table A6 (R13.8 million). The discrepancy distorts the available Cash and investments as reflected in Table A8 (Budgeted Cash backed reserves/ accumulated surplus reconciliation). The municipality did not amend the cash backed reserves/Accumulated surplus The cash backed
--	---

	reserves still reflects a deficits over the MTREF period. In view of the findings relating to the budgeted cash backed reserves/accumulated surplus reconciliation, the municipality's cash deficit of R47.5 million may be overstated.
mSCOA Segment validation The municipality's data strings, schedule C and the return forms for month 01 to 09 are not reconciling. The municipality should ensure that there is an alignment between these three documents.	There is no alignment between the data strings, Schedule C and the return forms Discrepancies were also noted between the budgeted figures reflected in the tabled budget data strings submitted to the mSCOA portal, the MFMA return forms submitted to the Local government database and the A1 schedule budget tables.

5. Credibility (funding), Relevance and Sustainability of the final budget

This section aims to assess the credibility (funding), relevance and sustainability of the adopted budget. Reference is made to your approved budget for the 2018/19 financial year that was submitted to the Provincial treasury in accordance with Section 24(3) of the municipal Finance management Act (MFMA), which states that the accounting officer of the municipality must submit the approved annual budget to the National Treasury and relevant Provincial Treasury.

Provincial Treasury has conducted a high level assessment of your adopted budget with a view of assessing whether the municipality has considered the comments and recommendations provided by Provincial Treasury on your tabled budget, as required by Section 23(1)(b) of the MFMA. Section 23(1)(b) states that the municipal Council must consider any views of the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state on municipalities which made submissions on the budget.

Credibility

- There are inconsistencies identified between the main tables and the supporting tables.
- Table SA3 was partially completed thus making it difficult for Provincial Treasury to assess the budget.
- The budgeted cash receipts from Property rates and services charges on electricity in the cash flow statement are based on a collection n rate of 79.9 per cent which is unrealistic and overstates the budgeted cash flow statement.
- Commitments on Table A8 might be understated as the municipality did not reflect commitments for statutory requirements and provisions to be cash backed.

- Discrepancies were noted between the budgeted figures reflected in the tabled budget data strings submitted to the mSCOA portal, the MFMA return forms submitted to the Local Government database and the A1 schedule budget tables.

Relevance

- The capital projects reflected in table SA36, which requires municipalities to populate information relating to the full capital programme for the 2018/19 MTREF period are aligned to the IDP.
- The budgeted figures reflected in tables SA4, SA5 and SA6 in respect of the reconciliation of IDP strategic objectives and the budget reconciled with the total operating revenue and expenditure in table A4 and total capital expenditure in table A5.
- The municipality did not complete Table SA38 which requires the municipality to disclose the consolidated detailed operational projects.

Sustainability

- The municipality has reflected deficits over the entire MTREF period on Table A8. The operating deficit is an indication that there are imbalances that need to be addressed.
- The municipal budget does not give effect to the long term financial and operational sustainability.

6. Conclusion

- The municipality complied with the requirements of Municipal Finance management Act (MFMA) and Municipal Budget, and Reporting Requirements (MBRR).
- The budget for the municipality is Unfunded in the 2018/19 financial year, the level of funding deteriorates in the two outer years. The unfunded budget is

based on inconsistencies noted on the analysis and overstatement on Cash flow statement.

7. Recommendations

- The municipality is advised to manage the associated risks of implementing the budget and ensure that spending is limited to what can be realistically collected in revenue, as required by Section 18 of MFMA
- In terms of MFMA Circular No. 91, municipalities are reminded to upload all their 2018/19 related annual budget returns to National Treasury's Local Government database, as National Treasury publishes the municipal budgets based on the information from the annual budget returns. The municipality is therefore required to ensure that the figures reflected in the annual budget returns reconcile with the figures as per the adopted budget. (schedule A1 version 6.2)
- The Accounting Officer should ensure that the 2018/19 budget assessment is submitted to the municipal Audit Committee and be tabled in council.
- The municipality is advised to be consecutive when projecting cash receipts and ensure that the collection rate is in line with prior year trends.
- The municipality is advised to generate their A, B and C schedules from the financial system to allow for a 100 per cent alignment results and avoid issuing different figures to Provincial and National Treasuries, as National Treasury will only publicise the figures from the data strings which differs from the figures approved by the council.